FINANCIAL SECTION

This Section Contains the Following Subsections:

INDEPENDENT AUDITORS' REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIC FINANCIAL STATEMENTS

CHERRY BEKAERT& HOLLAND
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Fayette County Georgia
Fayetteville, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Fayette County, Georgia (the County) as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Fayette County Department of Public Health, and the Fayette County Development Authority which represents 100 percent of the assets and 100 percent of the revenues of the aggregate discretely presently component units. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it relates to amounts included for the Fayette County Department of Public Health and the Fayette County Development Authority is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County as of June 30, 2006, and the respective changes in financial

position and the cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 16, 2006 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 15 and the budgetary comparison information on pages 56 through 59 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables, and the accompanying schedule of expenditures of Federal awards as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organization for the year ended June 30, 2006, are presented for purposes of additional analysis and are not part of the basic financial statements. The combining and individual nonmajor fund financial statements, the accompanying schedule of expenditures of Federal awards, and the schedule of projects constructed with special sales tax proceeds have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Cherry, Bekaert & Holland, L.L.P.

Atlanta, Georgia
December 14, 2006

Fayette County, Georgia
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

Management's discussion and analysis provides a narrative overview and analysis of the financial activities of the Fayette County Board of Commissioners for the fiscal year ended June 30, 2006. Management encourages readers to consider the information presented here in conjunction with additional information we have included in our letter of transmittal, which can be found on pages v-x in the introductory section of this report and the Government's financial statements following.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. These basic statements consist of three sections: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other information supplementary to the basic financial statements themselves.

Government-wide Financial Statements

Government-wide financial statements include a Statement of Net Assets and a Statement of Activities, and provide both long-term and short-term information about the County's overall financial status. These statements use accounting methods similar to those used by private-sector companies. Emphasis is placed on the net assets of governmental activities and business-type activities and the change in net assets. Governmental Activities are primarily supported by property taxes, sales taxes, other taxes, federal and state grants, fines, and charges for services. Business-type activities are supported by charges to the users of those activities, such as water service charges.

The Statement of Net Assets presents information on the County's assets and liabilities. Net assets, the difference between these assets and liabilities, is a useful way to measure the County's financial health. Over time, increases or decreases in net assets may serve as an indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during this current fiscal year. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid. Therefore, some revenues and expenses are reported here that will only result in cash flows in future years, such as uncollected taxes and earned but unused vacation leave. Additionally, this statement shows how much of the County's activities are funded by program revenue (charges for services, grants, and contributions) and how much the County's functions rely on general revenues (primarily taxes) for funding.

The government-wide financial statements include not only the County itself (called the primary government), but also legally separate entities for which the County is financially accountable (called component units). The activities of the primary government are comprised of functions of the County that are primarily financed by taxes and intergovernmental revenues. Examples include courts and law enforcement, public safety, planning and community development and general government. The County's statements include two component units for which the County is financially responsible: the Fayette County Development Authority and the Fayette County Department of Public Health. The financial information for these component units is reported separately from the financial

information presented for the primary government. Complete financial statements for each of the individual component units can be obtained from:

Fayette County Development Authority
200 Courthouse Square
Fayetteville, Georgia 30214

Fayette County Department of Public Health
104 Stone Avenue, West
Suite 107
Fayetteville, Georgia 30214

Fayette County Public Facilities Authority although legally separate, functions for all practical purposes as part of the County, and therefore the activities of the Authority have been included as an integral part of the primary government.

Fund Financial Statements

Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fayette County uses fund accounting to insure and demonstrate compliance with finance-related legal requirements. All funds of Fayette County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, this set of financial statements focuses on events that produce near-term inflows and outflows of spendable resources as well as on the balances of spendable resources available at the end of the fiscal year.

By comparing functions between the two sets of statements for governmental funds and governmental activities, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison.

Fayette County maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for those considered to be major funds: the General Fund, the Fire District Fund, SPLOST County-wide roads CIP, and the Criminal Justice Center Capital Project Fund. Individual data from the remaining non-major governmental funds are combined into a single, aggregate column marked "Non-Major Governmental Funds". Individual fund data for each of these non-major governmental funds is provided in the form of combining statements.

Fayette County adopts an annual appropriated budget for the General Fund and for each Special Revenue Fund. A budgetary comparison statement is provided for the General Fund, and each of the Special Revenue Funds, in order to present budgetary compliance. Project Length Budgets are adopted for each Capital Project Fund. Budgetary comparison statements are presented, in order to present budgetary compliance.

Proprietary funds - The financial statements of Fayette County include four internal service funds: the Worker's Compensation Self-Insurance Fund, the Medical Self-Insurance Fund, the Dental/Vision Self-Insurance Fund, and the Vehicle Replacement Fund. Internal service funds are a type of proprietary fund used to accumulate and allocate costs internally among various functions in the County. Also, included in the financial statements are two enterprise funds: Water System Fund and Solid Waste Fund which are types of proprietary funds. Proprietary fund

statements provide the same type of information as the government-wide financial statements, only in more detail. Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's own programs.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Additional information about the County, which may be of interest to the reader, is found in the Statistical section of the report.

Financial Highlights

- The assets of Fayette County Governmental Activities exceeded its liabilities at June 30, 2006 by $103,448,831 (net assets). Of this amount, $82,196,989 is unrestricted net assets. Fayette County's Business-type Activities exceeded its liabilities at June 30, 2006 by $74,357,503 (net assets). Of this amount, $4,355,880 is unrestricted net assets. The Primary Government's total unrestricted net assets is $86,552,869 and may be used to meet the County's ongoing obligations to citizens and creditors.

Fayette County's Net Assets

	Government Activities		Business Type Activities		Primary Government	
	2006	2005	2006	2005	2006	2005
Current and other assets	$ 98,247,155	$74,935,060	$ 17,513,475	$ 16,565,943	$115,760,630	$ 91,501,003
Capital assets	75,936,496	78,638,890	108,346,992	108,963,011	184,283,488	187,601,901
Total assets	174,183,651	153,573,950	125,860,467	125,528,954	300,044,118	279,102,904
Long-term liabilities	58,040,606	64,162,469	47,298,941	49,315,519	105,339,547	113,477,988
Other liabilities	12,694,214	5,540,221	4,204,023	4,172,021	16,898,237	9,712,242
Total liabilities	70,734,820	69,702,690	51,502,964	53,487,540	122,237,784	123,190,230
Net assets:						
Invested in capital assets, net of related debt	11,881,854	12,626,621	58,928,256	57,616,988	70,810,110	70,243,609
Restricted	9,369,988	4,643,916	11,073,367	11,095,278	20,443,355	15,739,194
Unrestricted	82,196,989	66,600,723	4,355,880	3,329,148	86,552,869	69,929,871
Total net assets	$103,448,831	$83,871,260	$74,357,503	$72,041,414	$177,806,334	$155,912,674

Statement of Net Assets & Activities

As noted earlier, changes in net assets over time can be a useful indicator of a government's financial position. At the end of fiscal year ending June 30, 2006, the County's assets exceeded liabilities by $177,806,334, or $21,893,660, a 14% increase over 2005.

This increase for governmental activities can be contributed mainly to the special local option sales tax implemented April 1, 2005. Collections totaled $16.7 million during this fiscal year, and expenditures for the SPLOST programs will start next fiscal year, 2007. Fayette County's property tax revenues came in stronger than anticipated by $2.1 million while expenditures remained consistent with forecasts. The tax base increased 7.41%. This is a further indication of Fayette County's strong economy. In addition, the bond debt for Business-type activities was reduced by $2 million further increasing the primary government total net assets.

The following summarizes the components of the County's net assets at June 30, 2006 for the primary government.

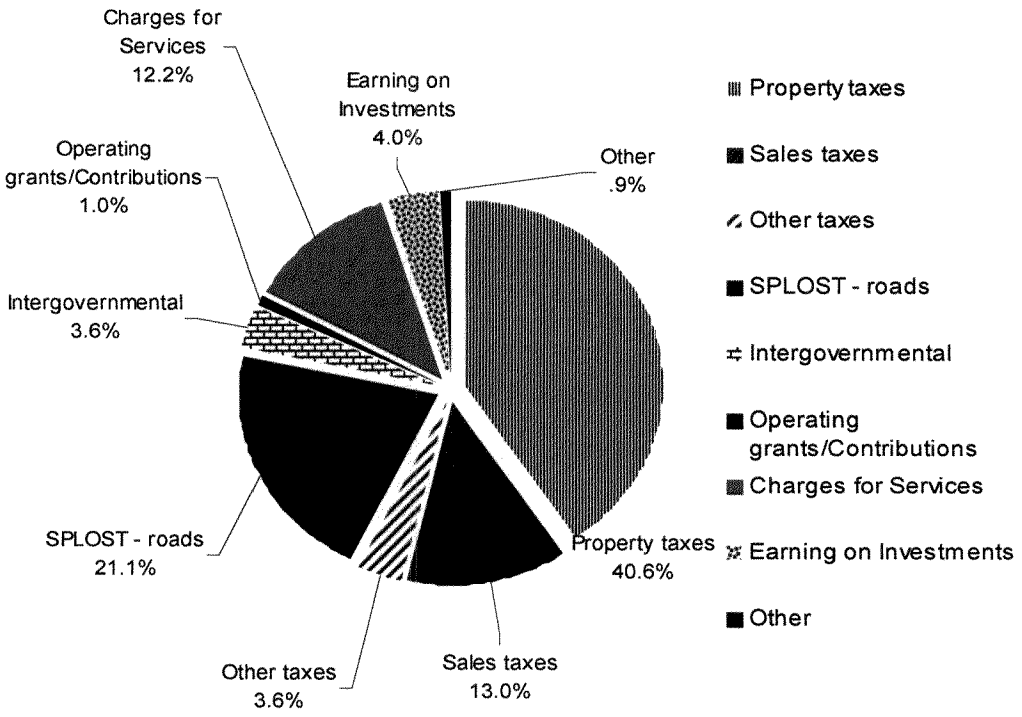
Fayette County's investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment), less any outstanding related debt used to acquire the asset and accumulated depreciation, equals 33.86 percent of net assets. The County uses these capital assets to provide services to citizens and, consequently, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the assets themselves are not readily available to liquidate these liabilities.

Fayette County's net assets also include restricted net assets of $20,443,355 (or 11.50 percent of net assets), and unrestricted net assets of $86,552,869 (or 48.68 percent of net assets). Restricted net assets represent resources subject to external restriction on how they may be used. Unrestricted net assets may be used to meet the County's ongoing obligations to citizens and creditors.

Fayette County's Statement of Activities and Changes in Net Assets

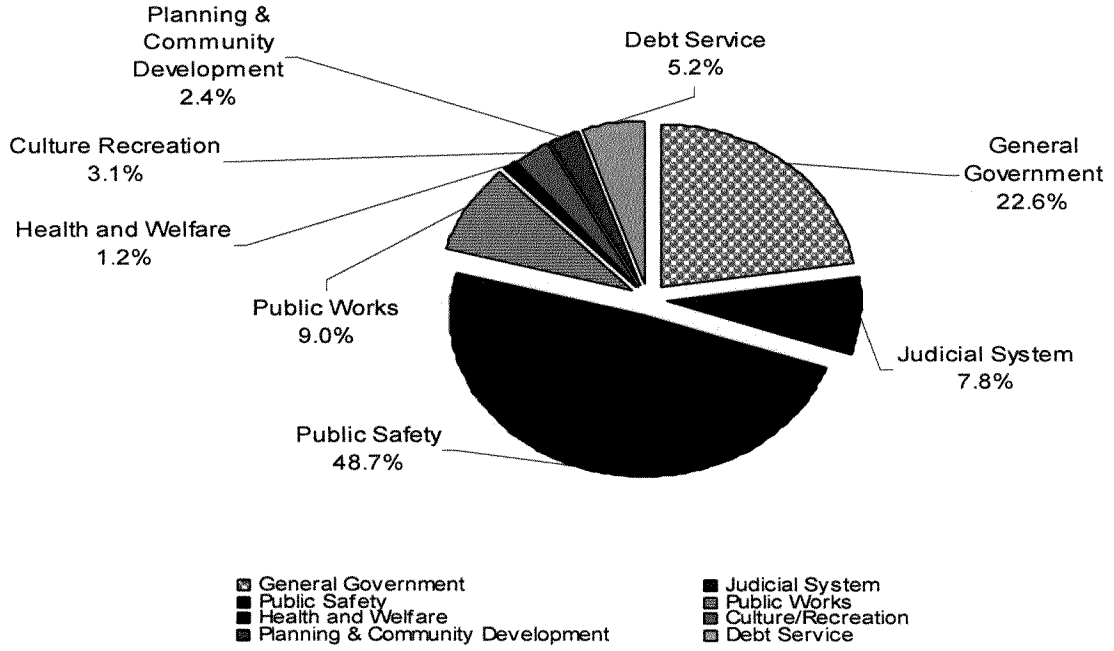
	Governmental Activities		Business-type Activities		Total Primary Government	
Revenues:	2006	2005	2006	2005	2006	2005
Program revenues						
Charges for services	$9,680,580	$9,257,856	$12,572,078	$11,691,434	$22,252,658	$20,949,290
Operating grants and contributions	808,590	85,068	-	-	808,590	85,068
General revenues						
Property taxes	32,103,630	30,178,341	-	-	32,103,630	30,178,341
Sales taxes	10,296,451	9,092,061	-	-	10,296,451	9,092,061
SPLOST – roads	16,676,100	3,242,853	-	-	16,676,100	3,242,853
Other taxes	2,874,588	2,495,302	-	-	2,874,588	2,495,302
Earning on Investments	3,194,159	1,916,256	550,275	253,588	3,744,434	2,169,844
Intergovernmental	2,880,454	1,324,636	-	-	2,880,454	1,324,636
Other	683,916	1,068,798	37,351	428,793	721,267	1,497,591
Total revenues	79,198,468	58,661,171	13,159,704	12,373,815	92,358,172	71,034,986
Expenses:						
General government	13,589,479	8,734,408	-	-	13,589,479	8,734,408
Judicial	4,677,929	4,336,761	-	-	4,677,929	4,336,761
Public safety	29,331,567	25,422,795	-	-	29,331,567	25,422,795
Public works	5,433,833	4,611,615	-	-	5,433,833	4,611,615
Health and welfare	689,879	819,266	-	-	689,879	819,266
Culture and recreation	1,871,303	1,774,572	-	-	1,871,303	1,774,572
Planning and development	1,460,636	1,435,272	-	-	1,460,636	1,435,272
Interest and fiscal charges	3,156,175	3,152,414	-	-	3,156,175	3,152,414
Water System	-	-	12,394,341	12,411,434	12,394,341	12,411,434
Solid Waste	-	-	121,420	149,197	121,420	149,197
Total expenses	60,210,801	50,287,103	12,515,761	12,560,631	72,726,562	62,847,734
Capital contributions and transfers						
Donated capital	-	-	2,262,050	2,729,684	2,262,050	2,729,684
Transfers in	589,904	557,420	-	-	589,904	557,420
Transfers out	-	-	(589,904)	(557,420)	(589,904)	(557,420)
	589,904	557,420	1,672,146	2,172,264	2,262,050	2,729,684
Increase (decrease) in net assets	19,577,571	8,931,488	2,316,089	1,985,448	21,893,660	10,916,936
Net assets, beginning of year	83,871,260	74,939,772	72,041,414	69,627,114	155,912,674	144,566,886
Adjustment to prior year net assets	-	-	-	428,852	-	428,852
Net assets as restated	83,871,260	74,939,772	72,041,414	70,055,966	155,912,674	144,995,738
Net assets, ending of year	$103,448,831	$83,871,260	$74,357,503	$72,041,414	$177,806,334	$155,912,674

Major Governmental Fund Revenues by Source



Major Governmental Fund Maintenance and Operating Expenditures by Function

	General Fund	Fire Fund	Total Expenditures
General Government	$13,589,479	$ -	$13,589,479
Judicial System	4,677,929	-	4,677,929
Public Safety	23,310,312	6,021,255	29,331,567
Public Works	5,433,833	-	5,433,833
Health & Welfare	689,879	-	689,879
Culture/Recreation	1,871,303	-	1,871,303
Planning & Community Development	1,460,636	-	1,460,636
Debt Service	3,156,175	-	3,156,175
Total Expenditures	$54,189,546	$6,021,255	$60,210,801



As of June 30, 2006, Fayette County's total governmental funds reported combined ending fund balances of $78,240,855, an increase of $20,756,576 in comparison with the previous fiscal year. More information on this increase can be found in the individual fund sections starting below. Approximately 93.96 percent or $73,516,691 is made up of unreserved fund balance that is available to meet the County's ongoing obligations to creditors. The remainder of the fund balance, $4,724,164, is reserved to indicate that it is not available for new spending because it has already been committed. The amount reserved for purchase order commitments is $68,969.

- The debt of Fayette County decreased by $1,165,000 the principal payment of the Fayette County Public Facilities Authority during the current fiscal year.

- Fayette County's capital lease debt decreased by $684,800 for fiscal year 2006.

- The maintenance and operations property tax rates of the General Fund and the Fire Fund were decreased from FY2005 to FY2006 as follows:

Fund	M&O Tax Rate FY2005	M&O Tax Rate FY2006	Decrease in Tax Rate	Percentage Decrease
General	5.42	5.191	0.229	4.23%
Fire	3.23	3.091	0.139	4.30%

Fund Financial Information

Major Governmental Funds

General Fund

The General Fund is the chief operating fund of the County. At June 30, 2006 the unreserved fund balance in the General Fund was $29,267,067, of which $26,878,685 is designated for emergencies ($2,000,000), working capital ($12,356,532), future expenditures ($9,428,742) and capital improvements ($3,093,411). As a measure of the liquidity of the General Fund, it is useful to compare both unreserved fund balance and total fund balance to total fund expenditures, unreserved fund balance represents 61.21 percent of total General Fund expenditures, while total fund balance represents 61.56 percent of that same amount.

The fund balance of the County's General Fund increased by $876,337 during the current fiscal year. Compared to FY2005's figure of $5.0 million, revenues were $7.7 million over expenditures in FY2006, mainly due to a $2.1 million increase of property taxes collected. Even with the millage tax rates rolled back, the tax digest base for Fayette County increased by 7.4 percent.

Transfers offset the excess of the $7.7 million revenues over expenditures by transferring $6.8 million to capital projects and for vehicle replacement purposes, compared to $3.6 million in FY2005. Expenditures for the year were $0.3 million less than the prior year.

General Fund Budgetary Highlights

The leadership of Fayette County desires to provide quality governmental services at an optimum cost. In order to achieve this objective, the budgetary process provides assurance that approved budgets are fully justified.

During fiscal year 2006, the revenue budgets of the General Fund exceeded budgetary estimates by a total of $1,601,958. Property taxes as previously mentioned made up $467,000 of this overage and sales taxes came in $734,000 stronger than anticipated. Fayette County continues to grow evident by the increase in the County tax digest by 7.41%. In addition, Fayette County has one of the lowest sales tax rates in the surrounding area. At 6%, residents outside of the County are drawn here to Fayette to take advantage of the lower sales tax rate.

The County has been able to lower the property tax rate in both the General Fund and the Fire Fund for the fourth consecutive fiscal year. Further, the County Departments have been provisioned with ample resources to continue delivery of first class governmental services.

Other Major Governmental Funds

The Fire District Fund has a total fund balance of $4,881,682, which represents an increase from the prior year of $1,141,618. Total fund balance for the Fire District Fund is 81.07 percent of its 2006 expenditures. In an effort to improve the financial position of the Fire Fund, the fund balance was budgeted to increase $667,952 during fiscal year 2006. The increase was necessary to provide sufficient working capital, and the necessary resources for funding the planned capital outlay as outlined in the five year capital improvement program. The actual increase of $1,141,618 was a result of unanticipated revenues of $349 thousand and favorable expenditures of $125 thousand.

The Criminal Justice Center Capital Project Fund has a total fund balance of $7,602,716, which represents a decrease from the prior year of $3,654,015. During fiscal year 2006, $3,848,261 in debt service expenditures were paid. With construction complete on the Justice Center, the annual debt service payment for 2006 was made directly from this fund, where last year's payment was made by the General Fund.

The SPLOST County-Wide Roads Capital Project Fund has a total fund balance of $16,656,327, which represents an increase from the prior year of $13,968,576. The primary reason for the increase is a full year of activity from the implementation of a one-cent Special Purpose Local Option Sales Tax (SPLOST) for Road and Bridge purposes. The proceeds of this tax will provide an estimated $115,867,000 for construction of transportation projects within the County and improvements to the County's transportation infrastructure. The tax was effective on April 1, 2005. During fiscal 2006, S.P.L.O.S.T. proceeds totaled $13,817,137. While expenditures were only $169,370.

Non-Major Governmental Funds

Special Revenue Funds

At June 30, 2006, the fund balances for the Non-Major Special Revenue Funds totaled $4,060,006. During the fiscal year, the total fund balances for these funds increased by $737,608. The majority of this change was due to the Law Enforcement Confiscated Monies Fund which netted $930,734 in federal forfeiture funds. At June 30, 2006, fiscal 2006 expenditures of $2,436,661 for the non-major special revenue funds represented 15.6 percent of year-end fund balances.

Capital Projects

At June 30, 2006 the Non-Major Capital Projects funds had a combined fund balance totaling $15,604,787. This fund is used to accumulate funds necessary to construct or acquire capital assets. During the fiscal year, the total fund balances for these funds increased by $7,918,335. The primary reason for the increase is the result of the imposition of a one-cent Special Purpose Local Option Sales Tax for Road and Bridge purposes. The proceeds of this tax will provide an estimated $115,867,000 for construction of transportation projects within the County and improvements to the County's transportation infrastructure. The tax was effective on April 1, 2005. During fiscal 2006, S.P.L.O.S.T. proceeds totaled $2,858,963 for Unincorporated County projects.

Major Proprietary Funds

Water System

The Water System provides water services to approximately 26,935 customers in Fayette County. The analysis provides summary financial information for the Water System and should be read in conjunction with the financial statements on pages 22 –25 and the related footnotes.

Financial Highlights

- The Water System's total assets exceeded total liabilities by $73.1 million.

The following summarizes the components of the Water System's net assets at June 30, 2006 and 2005:

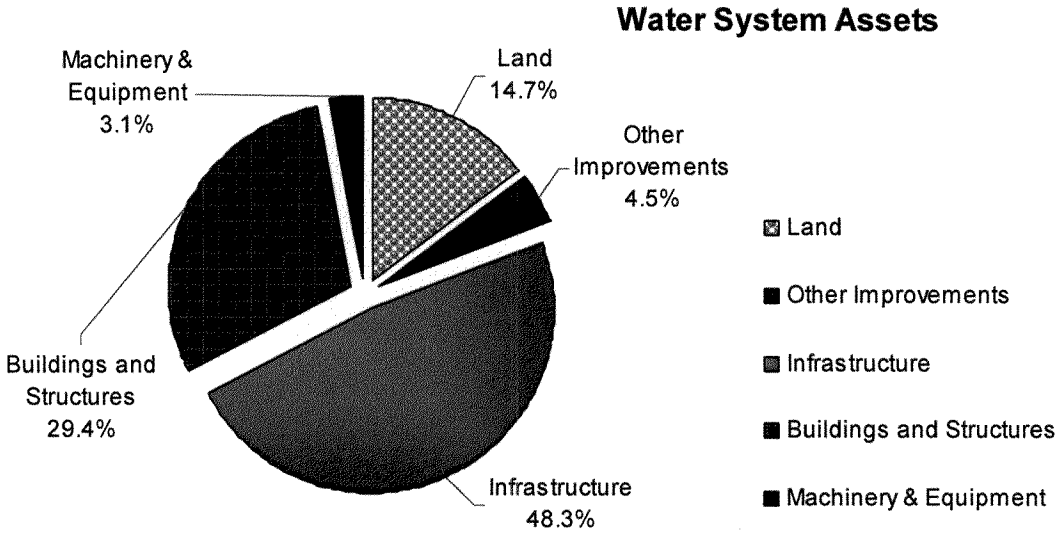
	2006	2005
Current & other assets	$ 5,330,965	$ 4,418,308
Restricted assets	11,073,367	11,095,278
Capital assets	108,245,884	108,860,195
Total assets	124,650,216	124,373,781
Other liabilities	4,195,660	4,163,339
Long-term liabilities	47,298,334	49,315,519
Total liabilities	51,493,994	53,478,858
Net assets:		
Invested in capital assets, net of related debt	58,827,755	57,514,172
Restricted	11,073,367	11,095,278
Unrestricted	3,255,100	2,285,473
Total net assets	73,156,222	$70,894,923

- The Water System adopted the State of Georgia's water regulations in 2004. Detailed water restrictions and information can be obtained on the County's website fayettecountyga.gov.

- Water sales revenue increased $523,395 or 4.5% over 2005 revenue, with the adopted State water restrictions.

- For fiscal year 2006, the Water System transferred from the operating account to the Renewal and Extension account $391,332 in compliance with revenue bond resolutions.

Fayette County Water System's investment in capital assets (e.g., land, infrastructure, buildings, machinery and equipment), less any outstanding related debt used to acquire the asset and accumulated depreciation, equals 54.3 percent of net assets. The Water System uses these capital assets to provide services to customers and consequently, these assets are not available for future spending.



Water distribution system includes 583 miles of water line of various diameters and materials. Infrastructure additions for fiscal year 2006 totaled $3,130,348 which includes 12 miles of water lines, meters and fire hydrants. The following tabulation shows water line footage by size, including current year additions for the year ending June 30, 2006. The amount of pipe smaller than 6" is insignificant and not reported as part of the distribution system.

Pipe Size	Beginning Balance	Additions	Ending Balance
30"	37,802	-	37,802
24"	106,950	-	106,950
20"	220,203	-	220,203
18"	8,390	-	8,390
16"	144,912	-	144,912
12"	242,747	18,308	261,055
10"	265,692	2,599	268,291
8"	1,207,044	44,104	1,251,148
6"	779,291	2,264	781,555
Totals	3,013,031	67,275	3,080,306

Fayette County Water System's net assets also include restricted assets of $11,073,367 (15.1 percent of net assets) and unrestricted net assets of $3,255,100 (4.5 percent of net assets). Restricted net assets represent resources subject to external restriction on how they may be used. Unrestricted net assets may be used to meet the Water System's ongoing obligations to creditors.

The Water System's total net assets increased $2,261,299 or 3.1 percent during the fiscal year. This indicates that the revenue sources exceed the ongoing cost of the Water System.

Water System's Changes in Revenue, Expense and Change in Fund Net Assets

Revenues and capital contributions	2006	2005
Water sales	$12,086,124	$11,562,729
Other operating	344,541	324,853
Non-operating	552,829	247,737
Capital Contributions	2,262,050	2,729,684
Total revenues and capital contributions	15,245,544	14,865,003
Expenses and Transfers		
Operating expenses	5,265,764	5,131,250
Non-operating expenses	2,564,023	2,639,307
Transfer – Overhead	589,904	564,620
Depreciation expense	4,564,554	4,631,712
Total expenses	12,984,245	12,966,889
Increase in net assets	2,261,299	1,898,114
Net assets, beginning of year	70,894,923	68,996,809
Net assets, ending of year	$73,156,222	$70,894,923

The Water System's total revenues and capital contributions increased $380,541 or 2.56% during the fiscal year. The increase in revenues can be attributed to water sales.

The total expense increased $17,356 or .13% during the fiscal year. The small increase can be attributed to Fayette County's exercise of fiscal self-control, careful resource allocation, competitive procurement process, and a steadfast determination to maximize the use of the available resources.

Long-term debt – At the end of the current fiscal year, Fayette County Water System's total revenue bonded debt is $51,125,884, of which $42,740,000 is revenue bond debt (see page 47 in Notes to the Financials) and $8,385,884 is for Georgia Environmental Facilities Authority loans (see pages 49-51 in Notes to the Financials). Principal payments made in fiscal year 2006 were $2,059,272 reducing long term debt 3.8%.

Non-Major Proprietary Funds

Solid Waste

Fayette County closed the First Manassas Mile Road landfill in 1997. To provide Fayette County citizens with disposal services, Georgia Waste Management operates a transfer station and the County is paid host fees and leaf and limb revenue based on tonnage. At fiscal year end for 2006, Solid Waste fund's net assets equated to $1,201,281.

The Georgia Environmental Protection Division (EPD) has completed a review of the landfill financial test mechanism. Fayette County is in compliance until December 30, 2006, for the closure and post-closure care financial assurance requirements in the 2005 fiscal year.

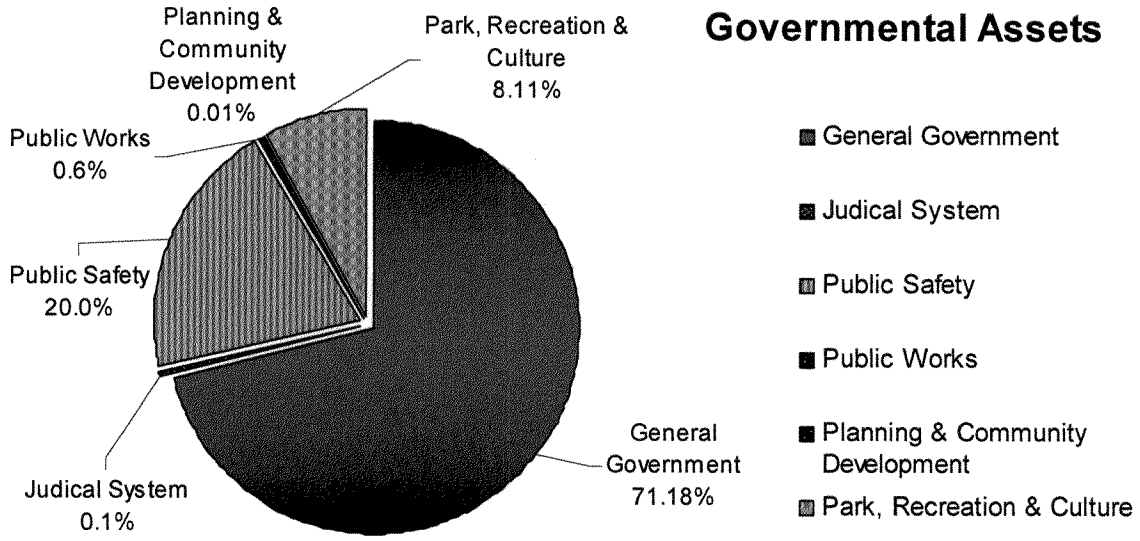
The relative financial strength ratio is 0.01 for 2006 fiscal year. The EPD requires a relative financial strength ratio equal to or less than 0.43. The County's relative financial strength ratio is exceptional.

The major goals for 2006 were; Continue to monitor the groundwater and methane to assure natural attenuation is correcting the groundwater contamination at the Southside Landfill, and Improve the yard waste operation in order to eliminate the negative change in net assets at the end of the fiscal year. The change in net assets for 2006 was $54,790, an increase of 4.78%.

	2006	2005
Current Assets	$1,109,143	$1,052,357
Capital Assets, net of accumulated depreciation	101,108	102,816
Total Assets	1,210,251	1,155,173
Current Liabilities	8,970	8,682
Total Liabilities	8,970	8,682
Net Assets:		
Invested in capital assets, net of related debt	100,501	102,816
Unrestricted	1,100,780	1,043,675
Total Net Assets	$1,201,281	$1,146,491

Capital Assets

Capital assets - Fayette County's capital assets as of June 30, 2006, totaled $184,283,490 net of accumulated depreciation. Governmental activity accounts for $75,936,497 while business type totals $108,346,993. This investment in capital assets includes land, buildings, improvements, machinery and equipment, water system infrastructure, and construction in progress. (see Note III B. Capital Assets on pages 43-45) This does not include the investment in infrastructure projects in governmental activities that were purchased or completed prior to June 30, 2002. It is anticipated that those infrastructure assets will be included in the Comprehensive Annual Financial Report for the fiscal year ending June 30, 2007.



The Government's Debt

Long-term debt – At the end of the current fiscal year, Fayette County has total bonded debt outstanding of $ 64,054,642. This amount represents the Fayette County Public Facilities Authority Revenue Bonds of $53,255,000 issued to construct the Criminal Justice Center, the capital lease of $5,799,642 for the 841 Mhz Radio System for E-911, and the GMA lease pool certificate of participation of $5,000,000. (see pages 46-52) The Fayette County Water System's total revenue bond indebtedness is discussed beginning on page 47 of the Notes to the Statements.

Other Financial Information

On November 2, 2004, a referendum was passed by Fayette County voters to impose a 1% Special Purpose Local Options Sales Tax (SPLOST) for use for road, street and bridge purposes in Fayette County.

The tax began April 1, 2005 and will continue through March 31, 2010 or at the end of the quarter where the raising of $115,857,267 is obtained, whichever occurs first.

The tax has been subdivided into two parts with 70 percent of the available funding earmarked for County-Wide Projects and the remaining 30 percent of available funding earmarked for use of projects sponsored by a city, town, or the unincorporated portion of Fayette County (see pages 73-75).

Request for Information

This financial report is designed to provide a general overview of Fayette County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information can be obtained by accessing the County's website at finance@fayettecountyga.gov , or by contacting the Finance Department at the following address and telephone number:

Fayette County Finance Department
140 Stonewall Avenue, West Suite 101
Fayetteville, GA 30214
(770) 460-5730 extension 5413